EX PARTE OR LATE FILED

DOCKET FILE COPY ORIGINAL FEDERAL COMMUNICATIONS COMMISSION WASHINGTON, D.C. 20554

28 OCT 1993

IN REPLY REFER TO:

RECEIVED

FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

Honorable John M. McHugh House of Representatives 416 Cannon House Office Building Washington, D.C. 20515

Dear Congressman McHugh:

This in reply to your letter of September 2, 1993, on behalf of your constituent Donald Gruneisen. Mr. Gruneisen is concerned about the impact of the competitive bidding provisions of the Omnibus Budget Reconciliation Act of 1993 (Budget Act) on small businesses and rural telephone companies. Your letter was referred to me because the Office of Plans and Policy is responsible for implementing the competitive bidding provisions of the Budget Act for the Commission.

On October 12, 1993, the Commission released a Notice of Proposed Rule Making, PP Docket No. 93-253 (Auction NPRM), to implement the provisions of the Budget Act concerning competitive bidding. According to the Budget Act, the Commission must ensure the economic opportunity of small businesses, businesses owned by women and minorities and rural telephone companies. To meet this Congressional mandate, the Auction NPRM proposed a variety of financial incentives for the designated entities. Specifically, we proposed to offer the designated entities the equivalent of government financing for payment of their bids for services subject to competitive bidding i.e., installment payments with interest. We also asked for comment on the use of tax certificates. In the case of broadband PCS, the Commission also proposed to set-aside two blocks of spectrum in each market, one of 20 MHz and one of 10 MHz, for bidding by the designated entities. In this manner, the designated entities would only compete with one another for broadband PCS rather than against larger entities with easier access to capital. As we consider the comments filed in the competitive bidding proceeding. I can assure you that we will keep in mind our mandate to ensure economic opportunity for the designated entities, including small businesses and rural telephone companies, as required by the Budget Act.

Sincerely,

Robert Pepper

Chief

Office of Plans and Policy

List A B C D E

No. of Copies rec'd & Conce

JOHN M. McHUGH 24TH DISTRICT, NEW YORK

416 CANNON HOUSE OFFICE BUILDING WASHINGTON, DC 20515-3224

TELEPHONE 202-225-4611



90:314

ARMED SERVICES
Subcommittee on Military
Installations and Facilities
Subcommittee on Oversight
and Investigations

COMMITTEE ON

COMMITTEE ON GOVERNMENT OPERATIONS

Subcommittee on Environment, Energy and Natural Resources Subcommittee on Employment, Housing and Aviation

Congress of the United States House of Representatives

September 2, 1993

Mr. Pete Belvin Director of Congressional Affairs Federal Communications Commission 1919 M Street, N.W. Washington, D.C. 20554

Dear Pete:

I am writing with regard to the enclosed correspondence I received from Mr. Donald W. Gruneisen, President of Nicholville Telephone Company, Inc. in Nicholville, New York, concerning the available of Personal Communications Service (PSC) to small telephone companies and their customers.

Any information, comments or assistance you may be able to provide concerning these matters would be appreciated so that I may furnish my constituent with a complete report.

Sincerely yours,

John M. McHugh Member of Congress

JMM/jmb Enclosure



RECEIVED

1993 AUG 30 PM 2: 47

NICHOLVILLE TELEPHONE COMPANY, INC.

August 24, 1993

Congressman John M McHugh Room 442 Cannon House Office Building 1st and Independence Avenue, NE Washington, DC 20510

Dear Congressman McHugh:

We are concerned that FCC will pass rules that could prevent Personal Communications Service (PCS) from being available to small telephone companies and the customers they serve. I have enclosed a copy of the letter that was sent to the FCC addressing this issue. They are preparing to act on this issue and it will directly impact our ability to offer our customer new services. We feel it's important that you are aware of this issue.

Sincerely,

Donald W Gruneisen

President



NICHOLVILLE TELEPHONE COMPANY, INC.

August 24, 1993

Mr. William Caton Acting Secretary Federal Communications Commission 1919 M Street, N.W., 2nd Floor Washington, DC 20554

Re:

Amendment of the Commission's Rules to Establish New Personal Communications Services - GEN Docket No. 90-314

Dear Mr. Caton:

My company, Nicholville Telephone Company, Inc. a local exchange carrier providing telephone exchange services in St. Lawrence county in New York State strongly urges the Commission to grant Personal Communications Service (PCS) licenses and set aside the requisite spectrum for exchange carriers to provide PCS in their respective local serving areas. Since exchange carriers are already obligated and organized to provide economical common carrier services to the general public, their provisions of PCS would allow this new service to be widely and rapidly available. Moreover, their participation will facilitate the efficient use of resources of the local network which will support PCS as well as other new services, enabling alternative methods of local distribution and delivery of quality service to their customers.

The Commission has consistently taken the position the exchange carriers are exceptionally well-qualified to provide radio-based telecommunications services to local subscribers. Providing an opportunity for exchange carriers to deploy PCS in their own serving areas is fully consistent with the Commission's previous set-aside of cellular spectrum for wireline carrier due to their expertise and experience. Like cellular, exchange carriers are well qualified to provide PCS. They have the technical expertise, the resources, and the local distribution network necessary for rapid deployment, and at the lowest cost. Foreclosing their participation would thus eliminate experienced and capable exchange carriers for competing in their own service market and utilizing the economies in their networks.

It would also preclude PCS availability in rural area where they presently serve. Indeed, the Congress in the Budget Reconciliation bill specifically mandated that the Commission shall "ensure that small businesses, rural telephone companies...be given the opportunity to participate

in the provision of spectrum - based services and for such purposes consider to use of tax certificates and bidding preferences."

Exchange carrier participation in the provision of PCS in their own serving area would realize the following potential benefits:

- First: PCS can help achieve the Commission's and the exchange carriers' universal service obligations.
- <u>Second</u>: PCS can offer exchange carriers the opportunity to expand and enhance radio-based services to rural and isolated areas.
- <u>Third</u>: exchange carrier participation can increase and complement utilization of the local network infrastructure, thereby increasing its efficiency.
- Fourth: some, even much of the local distribution infrastructure for PCS, including cooper and fiber networks, digital central office switches and intelligent network capabilities is in the exchange carriers' own serving areas, and is ready to be used for PCS applications.
- <u>Fifth</u>: it will enable exchange carriers to offer new radio-based services to their customers and provide and incentive for them to give customers the greatest efficiency benefits form their existing and developing network infrastructure. In contrast, forcing exchange carriers outside their service area will destroy any opportunity that an exchange carrier could promote synergies in its wired and wireless infrastructure.

In sum, permitting the approximately 1300 exchange carriers to offer PCS inside their own serving area would allow them to accommodate diverse geographic and customer requirements. Exchange carriers have the experience and capability to deploy PCS expeditiously in a manner best suited to meet customer demands for increased mobility and portability. They have proven that they can work together to create and operate the current seamless telecommunications network through appropriate business arrangements. They could certainly do so with PCS given the same opportunity.

Respectfully Submitted

Donald W Gruneisen

President